Canadian Cataloguing in Publication Data

British Columbia. Oil and Gas Commission.
Annual report. - - 1st (1998/1999) -

Annual.
ISSN 1488-4380 = Annual report - - British Columbia. Oil and Gas Commission

1. British Columbia. Oil and Gas Commission - Periodicals. 2. Petroleum industry and trade - Government policy - British Columbia - Periodicals. 3. Gas industry - Government policy - British Columbia - Periodicals. I. Title.

HD9574.C33B74 354.4'5'0971105 C99-960243-8

3 3298 00234 8887

101-00597/

OIL AND GAS COMMISSION

A report for stakeholders

The Oil and Gas Commission was created under the *Oil and Gas Commission Act* in 1998. It is a one-window integrated regulatory agency responsible for overseeing oil and gas industry operations including exploration, development and reclamation and pipeline transportation systems.

Reporting to the Honorable Dan Miller, Minister of Energy and Mines, the purpose of the Oil and Gas Commission is to: *regulate oil and gas activities and pipelines in British Columbia in a manner that provides for the sound development of the sector by fostering a healthy environment, a sound economy and social well-being.*

This annual report highlights the Oil and Gas Commission operational performance; outlines business priorities and initiatives, captures Environmental Fund and Advisory Committee activity and presents financial information for fiscal 1999 - 2000.

For more information, please contact:

Corporate Relations and Communications Branch at [250] 261-5734
or email Colleen.Sweet@gems7.gov.bc.ca

Table of contents

Board of Directors

Management's Discussion and Analysis

Activity statistics and Branch Indicators

Advisory Committee and Environmental Fund

Financial information

The Oil and Gas Commission Board of Directors

Advancing our strategic plan

1999-2000 was a productive first year for the Oil and Gas Commission. As a young organization, we are charting new territory and crossing several hurdles in the process – the challenge we have set for ourselves is to build a world leading oil and gas regulatory agency.

This year we:

- Stabilized the organization and concluded primary recruitment;
- Reorganized and streamlined our business processes;
- Managed increased oil and gas activity in Northeast BC;
- Began the process to improve and build relationships with First Nations;
- And, consolidated all of our operations and application functions in Fort St. John, and the Reservoir Engineering and Legislation and Policy groups in Victoria.

The highlights for 1999 – 2000 were:

- Managing a 63% increase in applications received this year over last;
- Developing aggressive application processing timelines and committing to continuous improvement;
- Establishing the OGC Advisory Committee and Environmental Fund processes;
- Conducting more that 2500 consultations with Treaty 8 First Nations on various applications;
- Opening a field office in Fort Nelson, allowing us to better serve our clients in that region;
- Managing two major incidents; and,
- Finalizing the Alternative Dispute Resolution mechanism.

We recognize that while change creates opportunities, it does come with challenges. The Commission will continue to make the necessary decisions to allow us to achieve our regulatory mandate effectively and efficiently.

As we embark upon year two, we will continue to identify and design new processes for continuous improvement.

Our strategic plan focuses on three fundamentals this year:

- Continued business process redesign, effectiveness and streamlining;
- Building organization capacity in training, efficiency and corporate culture; and,
- Creating value for stakeholders and responsible fiscal management.

In 2000 – 2001, our business plan will focus on INNOVATION. We have identified five key goals:

- We will strive to achieve our goal of 95% of the normal applications processed in 12 working days or less;
- We will continue to build trust, credibility and earn the respect of stakeholders;
- We will strive to manage British Columbia's oil and gas reserves to derive maximum value for present and future generations.
- We will continue to build relationships with First Nations, and work hard to identify opportunities to strengthen our communications;
- We will develop infrastructure and internal systems within the OGC that support us and assist us to improve our business processes. This includes a sound set of procedures and guidelines, strong fiscal systems, effective use of technology and most importantly, a leading edge workforce – which is innovative, flexible, proactive and takes pride in their work.

No doubt, the Commission has some aggressive and lofty goals, but then, the Oil and Gas Commission was created with lofty goals in mind.

Finally, and most importantly, we would like to acknowledge the commitment of our staff. The biggest asset for the Commission is its staff and they have been critical to the Commission's ability to achieve our accomplishments to date.

We respectfully submit the annual report for the Oil and Gas Commission for 1999 – 2000.

Yours truly,

Rob McManus
Commissioner

Prad Kharé
Deputy Commissioner

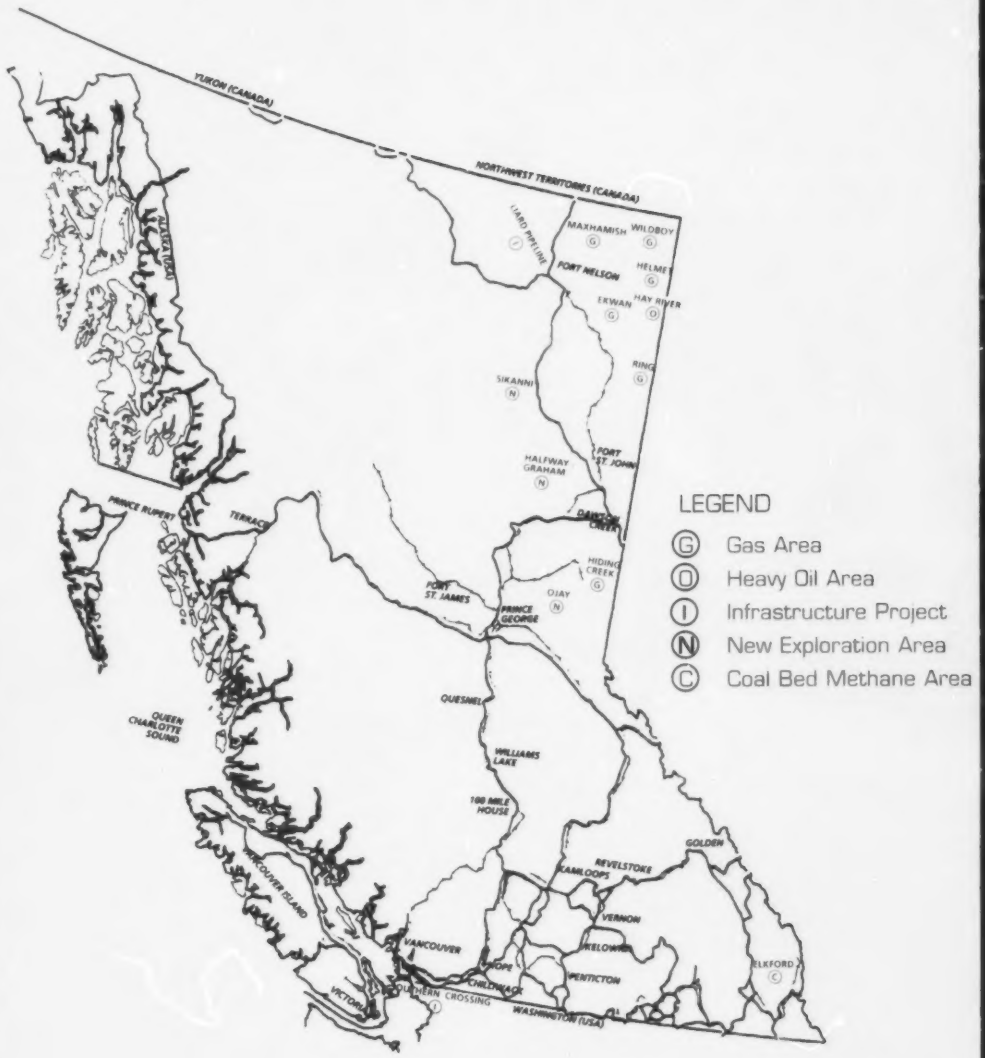
LEGISLATIVE LIBRARY
VICTORIA, BC V8V 1X4

Management's Discussion and Analysis

RECORD GROWTH IN EXPLORATION, DRILLING AND INFRASTRUCTURE DEVELOPMENT

British Columbia experienced a year of strong growth in the oil and gas industry. Major developments continued in the Maxhamish, Ekwan, Helmet, Ring Border area and Hiding Creek gas fields. The oil finds in Hay River also contributed to a robust drilling season. New exploration in the foothills region, including Sikanni, Halfway/Graham and Ojay have promising outlooks. With additional infrastructure in place such as the Alliance Pipeline, the Southern Crossing and the Liard Pipeline, the fundamentals are there for continued oil and gas sector expansion in British Columbia.

KEY DEVELOPMENT IN BRITISH COLUMBIA'S OIL, GAS AND PIPELINE SECTOR



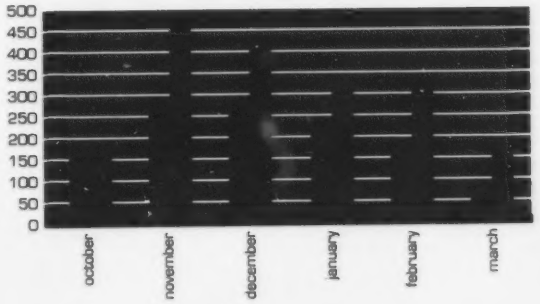
EFFECTIVE REGULATORY STREAMLINING

The Commission implemented a process improvement initiative in the summer planning period to map out existing processes and identify streamlining opportunities. The Commission will continue the initiative in 2000 - 2001 for further improvement in delivery.

NUMBER OF APPLICATIONS RECEIVED

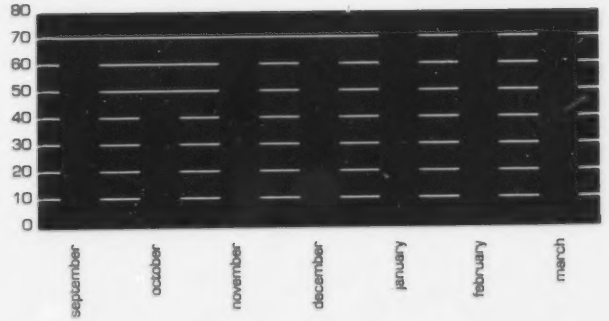
Number of applications received between October and March drilling season.

- 1998 - 1999 DRILLING SEASON TOTAL = 1178
- 1999 - 2000 DRILLING SEASON TOTAL = 1914



APPLICATIONS PROCESSED IN 15 WORKING DAYS OR LESS

- PERCENTAGE FOR 1999
- PERCENTAGE FOR 2000

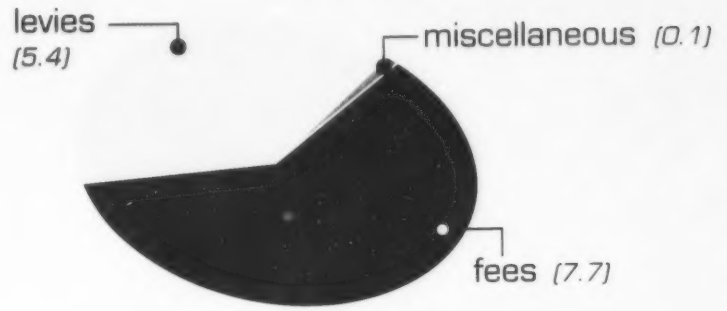


EXPANDED ABORIGINAL PARTICIPATION AND CONSULTATION

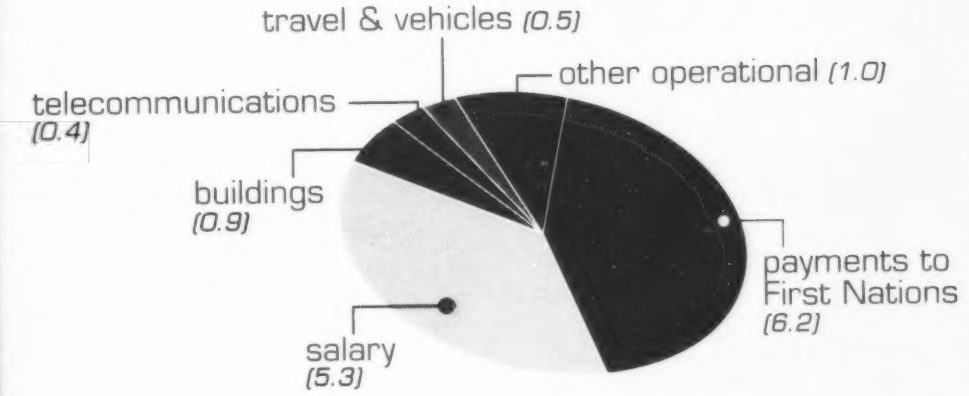
Together with the Treaty 8 First Nations, the Oil and Gas Commission conducted approximately 2500 consultations on oil and gas applications.

DEMONSTRATION OF RESPONSIBLE FISCAL MANAGEMENT

REVENUES (in $ millions)



EXPENSES (in $ millions)

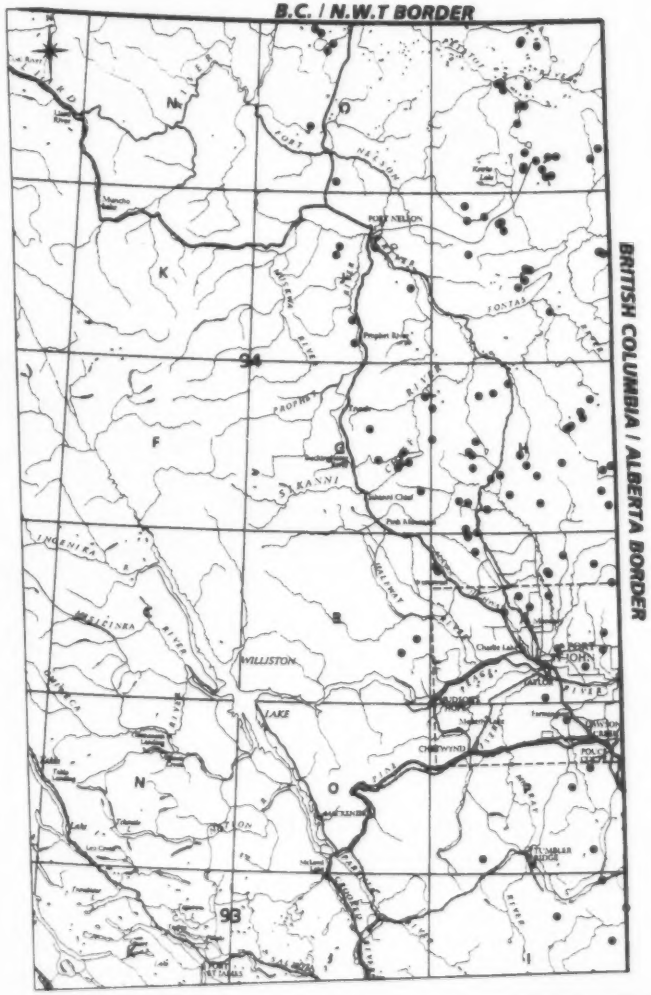


$300,000 DEDICATED TO THE STUDY OF AIR QUALITY

The Oil and Gas Commission Advisory Committee launched the Environmental Fund with $300,000 dedicated to the study of air quality. The Environmental Fund research and findings, as it relates to mitigating disturbance and cumulative impacts of oil and gas developments, will be factored into future Commission decisions related to applications and operations.

RECORD RIG ACTIVITY FOR BRITISH COLUMBIA

At one point in January 2000, there were more than 120 rigs operating in British Columbia. The following map illustrates where this activity took place.



INCREASED COMPLIANCE AND INSPECTION, ENVIRONMENT, HEALTH AND SAFETY

In 1999-2000 the Oil and Gas Commission achieved its highest level ever of inspections of oil and gas operations across British Columbia.

1999-2000 Inspections

INSPECTION	
Annual Facility Site Inspection	1158
Annual Lease Inspection	2431
Annual Production Meter	212
Drill Rig Inspection	229
Final Restoration (CORs)	22
Flow Tests	25
Joint Interagency	12
Operator Requested	29
Pipelines	108
Public Requested	134
Seismic	42
Service Rig Inspection	116
Spills	105
Other Inspections	137
TOTAL:	**4760**

Applications and Approvals Branch

Achievements in 1999-2000

- Hosted an interactive workshop for clients and stakeholders to address concerns, issues and streamlining challenges facing the Commission.
- Streamlined application processes by modifying forms, checklists, approval letters.
- Assisted in Commission website redevelopment.
- Facilitated and conducted meetings with customers, clients and stakeholders to improve the application process.

WELLS

Applications received	1030
Wells Spudded	786
Wells Drilled (RR)	681

CLIENT SERVICES

Number of Consultations with Clients (client service consultation is to improve application completeness and effectiveness)	430

PIPELINES

Applications Received	654
Number of inspections	765
Number of incidents	68

Aboriginal Relations and Land Use Branch

Achievements in 1999-2000:

- Oversaw the signing of Memoranda of Understanding with the Saulteau First Nation and the Doig River First Nation.
- Developed and implemented Aboriginal Application Review guideline.
- Hired and trained a full compliment of staff for the winter drilling season.
- Supported First Nation training and economic development initiatives, such as the Northeast BC Aboriginal Business Association.
- Assisted with the Fourth Annual Petitot Gathering.
- Facilitated meetings between First Nations and industry.
- Participated in additional planning initiatives to assist in the implementation of the Land and Resource Management Plans.

NUMBER OF FIRST NATION CONSULTATIONS

For Drilling Season (September 1, 1999 - March 31, 2000)

Applications Initiated 2576

Achievements in 1999-2000:

- Facilitated on-going Buick Creek Resident-Industry meetings.
- Circulated Compliance and Enforcement Discussion Paper for stakeholder consultation.
- A record level of over 4700 inspections were completed.
- In partnership with the Engineering and Geology Branch, the Compliance and Enforcement Branch oversaw and investigated two natural gas well blow-outs.

The Compliance and Enforcement team traveled more than 350,000 km across British Columbia, conducting inspections of oil and gas operations.

4760 inspections were conducted between April 1, 1999 to March 31, 2000. Shut-down issues were ordered on 8 wells, 6 drill rigs, 3 service rigs and 2 construction operations.

Engineering and Geology Branch

Achievements in 1999-2000:

- Approved three new waterflood projects, authorizing the operators to inject water into oil reservoirs to improve oil recovery. Typically the recovery of oil reserves increases by 15 - 20%.
- Approved an experimental project for the production of coalbed methane through an existing well, which would otherwise have been abandoned.
- Approved a combined acid gas and produced water disposal project.
- Addressed flaring and air quality issues brought by the public.
- Worked in partnership with Legislation, Policy and Special Projects Branch and Ministry of Environment to develop well flow test flaring guidelines.
- Worked with the Petroleum Technical Alliance of Canada, as part of a technical committee to establish a flaring field test facility.
- Participated in development of Industry Recommended Practices for "Well Testing and Fluid Handling" and for "Critical Sour Underbalanced Drilling" .
- Assisted in managing two blow-outs in 1999.
- Reviewed field operational aspects of an application for an underground gas storage facility in the Aitken Creek field.

Applications processed by the Operations Engineering Branch for:

Applications to Alter a Well	1171
Application to Abandon a Well	48
Application for Flaring Approval	906
Application for Production Facility Construction	479

APPLICATIONS PROCESSED

TYPE	TOTAL	AVERAGE TURN-AROUND (business days)
Production Commingling	34	10
Good Engineering Practice	22	15-45 (G
Concurrent Production	14	15-45 (G)
Pressure Maintenance	14	45 (G)
Acid Gas Injection	1	
Salt Water Disposal	9	35 (G)
Gas Cap Blowdown	2	
Underground Storage	1	
Off-Target Waiver	15	5
Daily Oil Allowable	30	10
Daily Gas Allowable	16	10
Daily Gas Allowable Waivers	250	2
Experimental Scheme	2	45 (G)

NOTES:
- All approvals in the table are from April 1, 1999 to March 31, 2000.
- Average Turn-Around Times are estimates only.
- The (G) denotes publication of BC Gazette notice may be required which adds 15 business days to the cycle.
- Other applications not listed include other-than-normal spacing and pressure test scheduling / modifications.

GEOLOGY APPLICATIONS

TYPE	TOTAL
Logging Waiver	122
Sample Waiver	20
Coring Waiver	3
Well Reclassification	32
Discovery Well Designation	22
Well Confidentiality Extension	1
Assigned Pool Pre-determination	0
Drilling Program Approval	2

Achievements in 1999-2000:

- Developed an agreement with industry and effected amendments to regulations necessary to establish the Environmental Fund.
- Effected amendments to the Drilling and Production Regulation under the Petroleum and Natural Gas Act to eliminate electrical provisions which overlapped with the provisions of the Electrical Safety Act.
- Initiated a review of well test flaring application review procedures of the Commission and the Ministry of Environment, Lands and Parks with a view to establishing appropriate Commission and government policies.
- Worked with the Ministry of Forests, Ministry of Energy and Mines, and Ministry of Environment, Lands and Parks on a number of issues relating to the Forest Practices Code, including joint inter-agency committees to address Code issues and reviews of Code Guidebooks and Guidelines.
- Initiated discussions with several ministries and agencies to define the relationship between the agency and the Commission in areas of common or related jurisdictions which will lead to memoranda of understanding, as appropriate.

Corporate Services Branch

Achievements 1999-2000:

- In conjunction with staff, championed the Oil and Gas Commission Business Plan for 2000 - 2001.
- Initiated a streamlining process for Oil and Gas Commission administration to improve budget efficiency and internal client service.
- In partnership with the Legislation, Policy and Special Projects Branch, administered the Advisory Committee and Environment Fund.
- Managed the training and budget requirements of the Commission consolidation of applications and operations in Fort St. John.
- Advanced the Information Systems Plan.
- Managed revenue, exceeding original expectations and meeting expenditure target.

A letter to stakeholders from the Advisory Committee

THE OIL AND GAS COMMISSION ADVISORY COMMITTEE

The creation of B.C.'s first oil and gas Advisory Committee in July 1999 reflects government's commitment to expand consultation with local interest groups as the oil and gas industry grows.

The Committee includes representatives from environmental, government, First Nations, oil and gas sector and the general public and is part of commitments made under the 1998 Oil and Gas Initiative.

The Advisory Committee has a mandate to anticipate and identify environmental, economic and social issues arising from oil and gas development in the province.

Dear British Columbian Stakeholders,

The Oil and Gas Commission Advisory Committee, appointed by the Honorable Dan Miller, Minister of Energy and Mines, in 1999 had a productive first year. We are an independent body responsible to represent the broad public interest in the stewardship of the oil and gas industry. First Nations, industry, government and environmental organizations comprise our committee membership.

This year, the Advisory Committee fulfilled its legislative mandate and provided advice to the Oil and Gas Commission on policy, budgetary issues, business and strategic planning, development of information system capacity and financial statements.

The highlights for the year were:

- Advised on the development of the Oil and Gas Commission Alternative Dispute Resolution (ADR) mechanism.
- Ratified and approved the Terms of Reference for Environmental Fund and Scientific Technical Screening Committee.
- Designated Environmental Fund research funding for 2000-2001.

It has been a pleasure serving as Chair of the Advisory Committee this year. Our objective is to continue to expand our role in building the Oil and Gas Commission into an effective and efficient regulatory agency.

Sincerely,

Bob Fedderly
Chair, Advisory Committee

Environmental Fund

The government of British Columbia entered into an agreement with the Canadian Association of Petroleum Producers and the Small Explorers and Producers Association of Canada to establish a $5 million Environmental Fund. The establishment of the Fund fulfills one of industry's commitments to the Oil and Gas Initiative in 1998. The Commission will administer the Fund.

The source of the funding is from natural gas and petroleum levies and the well authorization application fees. The Fund started to accumulate monies on December 1, 1999, from an increase in natural gas and petroleum levies and on April 1, 2000, the application fee for well authorizations increased adding additional monies to the Fund.

The Oil and Gas Commission Advisory Committee ratified the Environmental Fund Terms of Reference and the Scientific Technical Screening Committee (STSC) Operating Policies and Guidelines at their meeting of January 20-21, 2000.

The first area of research to be funded by the Environmental Fund for 2000 is air quality, to a maximum of $300,000.

The Commission, based on the recommendations of the Advisory Committee, appointed Dr. Orland Wilkerson, Assistant Professor of the University of Northern British Columbia Environmental Studies Program in Fort St. John as Chair of the STSC. Dr. Allan Legge (President, Biosphere Solutions, Calgary, AB) and Dr. Francis Law (Professor, Biological Sciences, Simon Fraser University, Burnaby, BC) have been appointed to the STSC as members.

Financial Statements of the Oil and Gas Commission for the year ended March 31, 2000

Statement of Management Responsibility

The financial statements of the Oil and Gas Commission for the year ended March 31, 2000 have been prepared by management in accordance with generally accepted accounting principles. These financial statements present fairly the financial position of the Commission as at March 31, 2000, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Oil and Gas Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Oil and Gas Commission.

Rob McManus
Commissioner

Scott Wisdahl
Director, Corporate Services

May 18, 2000

Report of the Auditor General of British Columbia

To the Commissioner
of the Oil and Gas Commission, and

To the Minister of Energy and Mines and
the Minister Responsible for Northern Development,
Province of British Columbia:

I have audited the statement of financial position of the *Oil and Gas Commission* as at March 31, 2000 and the statements of deficit, operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Oil and Gas Commission* as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
May 18, 2000

Oil and Gas Commission
Statement of Financial Position
March 31, 2000

(in $,000s)

	2000	1999
Assets		
Current assets		
Cash	**5,132**	-
Accounts receivable	**1,513**	1,384
Due from Province of British Columbia *(Note 5)*	**994**	4,546
Prepaid expenses	**14**	-
	7,653	5,930
Capital assets *(Note 4)*	**1,129**	1,206
Commitments *(Note 9)*		
	8,782	7,136

	2000	1999
Liabilities and deficit		
Current liabilities		
Accounts Payable	**626**	399
Due to First Nations *(Note 6)*	**3,262**	1,285
Due to the Province of British Columbia *(Note 5)*	**6,216**	7,001
Environmental Fund *(Note 7)*	**282**	-
	10,386	8,685
Long-term liabilities		
Due to First Nations *(Note 6)*	**2,395**	1,373
Deficit	**(3,999)**	(2,922)
	8,782	7,136

On behalf of the Commission

Rob McManus
Commissioner

Pradeep Khare
Deputy Commissioner

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Deficit
Year ended March 31, 2000
(in $,000s)

	2000	1999
Deficit beginning of years	**(832)**	-
Restatement of prior years		
Accounting change *(Note 3)*	**(2,624)**	-
Removal of internally imposed restrictions	**534**	-
Deficit beginning of year , as restated	**(2,922)**	-
Loss from operations	**(1,077)**	(2,922)
Deficit end of year	**(3,999)**	(2,922)

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Operations
Year ended March 31, 2000

(in $,000s)

	2000	1999
Revenues		
Fees	**7,732**	2,967
Levies	**5,365**	2,843
Miscellaneous	**105**	-
	13,202	5,810
Expenses		
Payments to First Nations	**6,236**	4,385
Salaries and benefits	**5,327**	2,228
Building occupancy	**854**	450
Telecommunications and information systems	**368**	235
Travel and vehicle costs	**477**	327
Professional services and training	**436**	781
Amortization	**290**	108
Office supplies and equipment	**208**	212
Miscellaneous	**83**	6
	14,279	8,732
Loss from operations	**(1,077)**	(2,922)

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Statement of Cash Flows
Year ended March 31, 2000
(in $,000s)

	2000	1999
Cash provided by operating activities		
Cash generated from:		
Fees	**7,465**	-
Levies	**4,969**	-
Miscellaneous	**93**	-
	12,527	-
Cashed used for :		
Payments to First Nations	**3,236**	-
Salaries	**5,224**	-
Operating costs	**2,389**	-
	10,849	-
Cash from Operations	**1,678**	-
Cash provided by financing activities		
Payments from Ministry for previous year's activities	**4,426**	-
Payments to Ministry	**(7,293)**	-
Increased borrowing from the Ministry	**6,509**	-
Cash from Financing	**3,642**	-
Cash used in investment activities		
Purchase of capital assets	**(188)**	-
Increase in cash	**5,132**	-
Cash, beginning of year	**-**	-
Cash, end of year	**5,132**	-

For the 1999 fiscal year all cash transactions flowed through the Ministry of Energy Mines.

The accompanying notes are an integral part of these statements

Oil and Gas Commission
Notes to the Financial Statements
March 31, 2000
(in $,000s)

1 The Oil and Gas Commission

The Oil and Gas Commission was established under the *Oil and Gas Commission Act* on July 30, 1998, to administer industry activity on oil and gas lands and to resolve industry land use and economic issues related to Aboriginal Lands on behalf of the Province of British Columbia.

The scope of administration and control over oil and gas industry activity includes services formerly provided by the:

- Ministry of Energy and Mines under the *Petroleum and Natural Gas Act* and the *Pipelines Act*,
- Ministry of Environment, Lands and Parks (latterly by the British Columbia Assets and Land Corporation) under the *Lands Act*, and
- Ministry of Forests for administration of the Forests Practices Code.

Management and staff from these ministries joined to form the Oil and gas Commission.

The Commission commenced active operations on October 23, 1998 and is funded through revenue from the consolidated revenue fund of the Province of British Columbia derived from:

- levies from oil and gas production,
- fees in relation to applications for and issuance of approvals, licenses, permits and other authorizations issued by the Commission under the *Petroleum and Natural Gas Act* and the *Pipeline Act*, and
- annual fees prescribed under the *Petroleum and Natural Gas Act* and the *Pipeline Act*.

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles. Significant accounting policies are as follows:

Capital Assets
Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

• Furniture, equipment and tenant improvements	10 per cent
• Computer hardware	33 per cent
• Computer software	100 per cent

Revenue recognition
All fee and levy revenue authorized and collected under Section 23 of the *Oil and Gas Commission Act* is first paid to the Minister of Finance and Corporate Relations. The Province then transfers this amount of revenue to the Commission.

Oil and Gas Commission
Notes to the Financial Statements
March 31, 2000
(in $,000s)

2. Significant accounting policies (cont'd)

Revenue is recognized when it is earned. The Oil and Gas Levy is assessed in the second month following production; therefore, revenue for February and March is estimated based on average prior months' assessments. Fees under the *Pipeline Act* for pipelines and gas and compressor stations are recognized when earned, that is, when "leave to open" has been granted.

Fees and levies collected that have been directed to pay for research under the Environmental Fund are recognized when the research costs have been incurred. Prior to costs being incurred the amounts are included as deferred contributions, in the Environmental Fund.

Use of estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Changes in accounting policy

In the prior year, the Commission established an internally restricted fund to account for future payments to First Nations pursuant to the MOU described in Note 4. Following this method, only the amounts actually paid to the First Nations in the year were recorded as an expense.

The new accounting policy recognizes the future payments as an expense and a liability in the year that they are incurred. This accounting treatment matched the expense with the revenue that triggered it.

If the previous accounting policy was used this year then the expense shown for First Nations would be $5,427, (1999: $ 1,761), the loss from operations would be $(269), (1999: $(298)), the deficit would be $(2,248), (1999: $(832)), and the restricted net assets would be $1,781 (1999: $534).

4. Capital assets

	2000			1999
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, equipment, and tenant improvements	1,034	147	887	903
Computer equipment	468	226	242	303
	1,502	373	1,129	1,206

Oil and Gas Commission
Notes to the Financial Statements
March 31, 2000

(in $,000s)

5. Due from / to the Province of British Columbia

	2000	1999
Due from:		
Accrued leave liability	**120**	120
Fee and levies	**874**	4,426
	994	4,546
Due to:		
Start up costs	**1,620**	1,620
Operating expenses	**4,596**	5,381
	6,216	7,001

6. Due to the First Nations

The Treaty 8 First Nations signed Memorandums of Understanding (MOU) with the Province of British Columbia and the Commission that encourages a favorable business climate for resource development, and to develop a framework to consult about the impacts of oil and gas sector activities on treaty rights.

Under the terms of the MOUs, the Commission will pay the First Nations a fixed annual contribution as well as an amount based on fee-generating activities. The amount for fee-generating activities has two components: the first is payable when the activity occurs, the second is due on the anniversary date of the original activity. This amount is calculated to the end of the MOU (2002/2003) and is recorded as a long-term liability.

Current liability	2000	1999
Development payments for 4th quarter	**2,064**	827
Current portion of long-term liability	**1,198**	458
	3,262	1,285

Long-term liability	2000	1999
Wells	**2,790**	1,576
Plants	**18**	8
Pipelines	**785**	247
	3,593	1,831
Less: current portion	**1,198**	458
	2,395	1,373

On February 29, 2000, six of the seven First Nations submitted written notification that they intended to rescind the MOUs. The notification provides for 90 days before the MOU would end.

The Commission continues to record the liabilities that would occur if the MOU stays in force as it is the opinion of the

Oil and Gas Commission
Notes to the Financial Statements
March 31, 2000
(in $,000s)

Commission that the liability reflects the most likely future costs arising from negotiations surrounding the MOU.

7. Environmental Fund

The Commission signed an agreement with the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC) that will see the Commission spend $5 million over 5 years on research on the effects of the oil and gas industry on BC. The funds required for this research will be raised through increasing the levy on oil and gas production and by an increase to the application fee for wells. This money is restricted for use for research and administration of the Fund.

		2000
Opening balance		-
Add:	Fees and levies collected	253
	Contributions of research funds	31
	Interest earned	1
		285
Deduct:	Research project costs	-
	Steering committee costs	-
	Commission administration	3
		3
Ending balance		282

8. Related party transactions

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Significant related party transactions during the year are detailed below:

The Commission leases office and warehouse space from the British Columbia Buildings Corporation as disclosed in Note 9.

The Ministry of Employment and Investment provided payroll and human resource services and certain capital assets during the year at no cost to the Commission.

The Ministry of Attorney General acted as the Commissions primary legal advisor during the year on a cost recovery basis.

9 Commitments

The Commission occupies leased office buildings in Fort St. John and Victoria, as well as a storage warehouse for core samples at Charlie Lake, for which the Commission pays building occupancy fees to the British Columbia Building Corporation. The lease for the Fort St. John office space runs for two years until March 31, 2002 with no early release option. The office space in Victoria is managed through the Ministry of Employment and Investment with no fixed end date, and requires six months notice to vacate. As of April 1,

Oil and Gas Commission
Notes to the Financial Statements
March 31, 2000

(in $,000s)

2000 the core storage warehouse will revert to the control of the Ministry of Energy and Mines and no longer be an obligation to the Commission. The annual costs for the two office buildings are $369 (Fort St. John) and $118 (Victoria).

The Commission has a commitment to make annual payments for development and capacity to first nations as detailed in Note 6. These commitments run until the end of the MOU with First Nations in 2003. The amounts for development are not included in the table below. The capacity amount of $1,750 per year is included as a commitment.

The Commissions total annual commitments are:

Year	
2001	2,374
2002	2,282
2003	1,883

10. Pension plan

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The Supperannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The Province of British Columbia has statutory responsibility for any unfunded liability.

The most recent actuarial valuation (March 31, 1999) has determined the Plan is in a surplus position. As a result, of this valuation the Superannuation Commission has refunded a portion of the Commission's employer contributions. This refund is in the way of a reduction in the employer's contribution in the 2000/2001 fiscal year.

11. Subsequent events

The Province of British Columbia as part of its 2000/2001 estimates made a provision to forgive $1,620 of amounts owing from the Commission that are due for start up costs, including capital items.

12. Comparatives

The comparative figures are for the period from incorporation, July 30, 1998 to March 31, 1999.

Certain comparative figures have been restated to conform to the presentation used in the current year.